

Message Text

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PAGE 01 TEHRAN 10780 221435Z

42

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

DODE-00 INR-07 NSAE-00 PA-01 USIA-06 PRS-01 INT-05

XMB-02 FRB-01 ABF-01 /086 W
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R 221300Z DEC 74

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 9517

INFO AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

C O N F I D E N T I A L TEHRAN 10780

PARIS FOR OECD

BRUSSELS FOR EC

E.O. 11652: N/A

TAGS: EFIN,IR, ENRG

SUBJECT: SHAH'S REMARKS ON PRICE OF GOLD

1. SUMMARY: PROMPT GOI CLARIFICATION OF SHAH'S STATEMENTS TO AP REPORTER ON "PRICE OF GOLD" AFFIRMS IRAN IS MORE CONCERNED OVER ANY INFLATIONARY IMPACT OF A CHANGE RATHER THAN IN PRICE OF GOLD PER SE. END SUMMARY.

2. GOI PROMPTLY ISSUED CLARIFYING STATEMENT APPEARING IN PRESS DECEMBER 21, CONCERNING SHAH'S STATEMENTS ON PRICE OF GOLD TO AP REPORTER HUGH MULLIGAN. AS REPORTED IN INTERNATIONAL HERALD TRIBUNE (PARIS) ON DECEMBER 20, SHAH REFERRED TO TALKS BETWEEN PRESIDENTS FORD AND GISCARD D'ESTAING AND INDICATED INCREASE IN GOLD PRICE WOULD BE A "VERY, VERY GRAVE PROBLEM" AND THAT INCREASE
CONFIDENTIAL

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PAGE 02 TEHRAN 10780 221435Z

IN OIL PRICES WOULD "SURELY FOLLOW." HE FURTHER INDICATED INCREASE

IN GOLD PRICE COULD END RECENTLY DECIDED NINE-MONTH FREEZE IN PRICE OF OIL BY OPEC COUNTRIES. MULLIGAN QUOTED SHAH AS SAYING THAT INFLATIONARY SPIRAL AND LOSS OF IRANIAN PURCHASING POWER COULD EVENTUALLY LEAD TO COLLAPSE OF THE WORLD MONETARY SYSTEM.

3. CLARIFICATION ISSUED BY IMPERIAL COURT STATED:(BEGIN TEXT) HIM THE SHANANSHAH, IN THE INTERVIEW GRANTED TO A CORRESPONDENT OF THE ASSOCIATED PRESS, REFERRED TO RECENT DECISIONS CONCERNING THE UP-PRICING OF GOLD HELD IN STOCK BY VARIOUS GOVERNMENTS. TO AVOID ANY POSSIBILITY OF HIS IMPERIAL MAJESTY'S REMARKS BEING ERRONEOUSLY INTERPRETED OR OTHERWISE MISCONSTRUED, IT SHOULD BE CLEAR THAT THE SHAHANSHAH SAID: "IF THE UP-PRICING OF GOLD RESERVES PROVES TO LEAD TO AN EROSION OF THE REAL PURCHASING POWER OF OIL EXPORTING NATIONS FROM EXPORTS OF THEIR OIL, THESE COUNTRIES SHOULD TAKE NECESSARY STEPS AIMED AT PROTECTING THEIR REAL PURCHASING POWER." (END TEXT).

4. COMMENT EMBASSY BELIEVES AP REPORTER EITHER INACCURATELY REPORTED SHAH'S REMARKS OR QUOTED HIS STATEMENTS OUT OF CONTEXT. IRANIANS DO NOT SEEM TO HAVE STRONG VIEWS ON PRICE OF GOLD PER SE. MINISTRY OF ECONOMICS AND FINANCE UNDER SECRETARY FOR ECONOMIC AFFAIRS AHMAD KOOROS TOLD EMBASSY SHAH'S REMARKS, ALSO QUOTED IN INTERVIEW, ELABORATING ON HIS CALL FOR TALKS WITH OIL IMPORTING NATIONS ON LINKING THE PRICE OF OIL TO MARKET BASKET OR OTHER COMMODITIES WERE MOST IMPORTANT PART OF INTERVIEW AS STATEMENT OF GOI POLICY. CENTRAL BANK OF IRAN DIRECTOR-GENERAL FOR INTERNATIONAL AFFAIRS SHAHPUR SHIRAZI SAID LIQUIDITY AND MANAGEMENT OF DOMESTIC POLICIES IN MAJOR WORLD TRADING COUNTRIES REMAIN IRAN'S CHIEF CONCERN.

5. IRANIANS CLEARLY ARE APPREHENSIVE OVER CURRENT UNCERTAIN INTERNATIONAL FINANCIAL SITUATION, AND CHANGES IN STATUS OF GOLD IS ONLY ONE ASPECT OF THEIR CONCERN. THEIR MAIN GOAL REMAINS TO DEFEND AS ENERGETICALLY AS POSSIBLE THE PURCHASING POWER OF THEIR PETRODOLLARS. IF A COUNTRY'S VALUATION OF ITS GOLD RESERVES AT CURRENT MARKET PRICES DOES NOT HAVE AN INFLATIONARY IMPACT IN TERMS OF PRICES IRAN MUST PAY FOR ITS IMPORTS, THE GOI WILL NOT OBJECT. QUICK "CLARIFICATION" OF SHAH'S STATEMENTS INDICATES GOI'S CONCERN THAT THEY NOT ADD ADDITIONAL CONFUSION TO SITUATION. HELMS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOLD, PRESS COMMENTS, FOREIGN POLICY POSITION, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 22 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TEHRAN10780
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740372-0457
From: TEHRAN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741216/aaaaanjy.tel
Line Count: 99
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 09 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 APR 2002 by boyleja>; APPROVED <20 MAR 2003 by ShawDG>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SHAH'S REMARKS ON PRICE OF GOLD
TAGS: EFIN, ENRG, IR, (PAHLAVI, MOHAMMAD REZA)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005